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Proxy Voting Guidelines for External Managers

Topic: Environmental Issues
Subtopic: Methane Emissions and Reduction
Approved: July 19, 2019

Description:

Resolutions that ask companies to report on the management of methane emissions and adopt targets for reducing such emissions.

Topic background:

Methane is a potent greenhouse gas. On a 20-year timescale, methane is estimated to have more than eighty times the global warming potential of an equivalent amount of carbon dioxide.ⁱ Proponents of resolutions in this area express urgent concerns about methane's role in climate change, while also noting the business risks of fugitive methane emissions, which represent lost gas product that otherwise could have been brought to market. In addition, proponents say, these emissions may pose an increasing reputational risk to the natural gas industry, which has positioned itself as a cleaner alternative to other fossil fuels.

Considerations for voting:

- Well-constructed proposals that request companies to report on methane emissions management, through means such as reporting on actual emissions and on goals to reduce them, provide shareholders with valuable information, not only about a potential material risk factor, but also through fugitive methane emissions recapture, about potential business benefits.
- A well-constructed proposal should seek to request reporting across all operations. Reduction targets should be either absolute or intensity-based and should aim for direct measurement when possible.
- The broader aim of measuring, managing, and reducing greenhouse gas emissions aligns with Harvard University's institutional efforts, as reflected in the University's "Climate Action Plan" and HMC's engagement with energy companies on methane emissions through the Principles for Responsible Investing (an organization dedicated to advancing the practice of responsible investing).

With regard to company concerns about reporting standards or burdens, recognized guidance for reporting on methane emissions is available from organizations such as the Task Force on Climate-related Financial Disclosures (TCFD), whose standards for reporting material information on methane emissions reflect substantial input from investors, NGOs, and industry experts.

Illustrative examples of votes:

1. Vote in support of resolutions requesting that a company report its policies and plans to measure, monitor, mitigate, and set quantitative targets for reducing methane emissions, including actions that go beyond regulatory requirements.
2. Vote in support of resolutions requesting that a company provide updates on establishing any methane reduction targets and progress towards such targets.
3. Vote in support of resolutions requesting that a company reduce or eliminate routine flaring.

Harvard offers broader general guidance on its recommended approach to considering shareholder resolutions in “Overview of Harvard University’s Proxy Voting Guidelines for External Managers” (follow [link](#) to download full text). When determining votes on resolutions, we consider each resolution in light of this general guidance as well as in light of a resolution’s specific request and contextual information about the relevant company and its approach to the issue.

ⁱ Environmental Protection Agency, *Understanding Global Warming Potentials*, <https://www.epa.gov/ghgemissions/understanding-global-warming-potentials>